

Operations and Finance Subcommittee

June 21, 2011

Kings Inn, Pierre, SD

**Subcommittee Members Present:**

Lt. Governor Matt Michels	Geraldine Ray	Glenda Bruch
Rachel Byrum	Senator Phyllis Heineman	Kate Parker
Jason Dilges	Chuck Sherman	Tom Dice
Pam Roberts, Jim Edman,	Jennifer Stalley	Ken Barrette
Carrie Johnson	Deb Fischer-Clemens	Cristine Vogel
Teresa Bray	Mark Thompson	Catherine Sreckovich
Melissa Klemann	Donna Leslie	
Kea Warne	Scott Graff	

The meeting was called to order by Kea Warne.

Kea Warne presented information regarding South Dakota's Health Insurance Exchange website which is located at [www.healthreform.sd.gov](http://www.healthreform.sd.gov). This website contains basic Exchange information along with copies of South Dakota's quarterly reports, meeting dates, agendas, minutes, materials, and the task force membership list. This website will be updated with additional information throughout the planning process.

Kea Warne provided a brief comparison of where surrounding states are at in their planning process.

- Iowa
  - Has held regional meetings and focus groups
  - Pending legislation
- Nebraska
  - Exploring sharing among states
  - Has held public forums
  - Two RFP's issued: research and IT roadmap
  - No legislation
- North Dakota
  - Exchange intent bill passed in June 2011
  - Special session November, 2011 to make decisions
- Wyoming
  - Looking to have decisions on the direction later this year
  - Steering committee established
  - Legislation passed for intent to establish exchange
- Colorado
  - Independent public authority
  - Initially funded by grants, gifts and donations
  - Maintain markets outside of exchange
  - Stakeholder group
  - Legislation passed
- Kansas

- Leaning towards independent public authority
- Market facilitator
- Funding will likely come from surcharge on premiums
- Maintain markets outside of exchange
- Explore sharing options among states
- Early innovator state
- No legislation
- Montana
  - Quasi government agency
  - Stakeholder involvement council
  - Governor pursuing non-legislative option
  - Funding from fees on health insurers and federal and private grants

Geraldine Ray informed the committee that the contract with Navigant would be signed that week. Geraldine introduced the three Navigant representatives: Ken Barratte, Cristine Vogel, and Catherine Sreckovich. Discussion items included:

- Technology
  - Is not the biggest issue, but is the biggest expense of an exchange
  - Have to decide how far to expand (reach to other programs)
- Multi-state sharing
  - Sharing technology is easy, agreeing on policy is difficult
  - New England Consortium – these states are not yet at a sharing phase
  - SD could be a sharing state with CO, MT, NE, ND
  - Platforms are configured differently among states but can be structured to meet state requirements
    - Example: Droid and iPhone use common technology but each phone is configured differently
- Health exchanges are not new
  - Ehealth.com provides a sample of what a health exchange is like
  - BenefitFocus (Maryland)
  - Bswift (Utah)
  - CSC (Massachusetts)
  - Ceridian (Florida)
  - Yahoo shopping provides you with all the information the customer is looking for and then directs the shopper to the retailer
  - Amazon shopping keeps the customer embedded in their website all the way through the purchase of the product
- Important to have an interface in place for integrating the exchange entities - public payers (Medicaid and CHIP) and private payers
- Unique to SD
  - Rural areas
  - Tribal nations
  - Navigant has experience to provide operations assistance (use of kiosk, extensions of web portal, etc.)

Jason Dilges and Rachel Byrum provided exchange financing and budget considerations.

- Key considerations
  - As we develop the exchange work flow, we will be able to evaluate the cost of an activity
    - Top down (this is what it needs to cost) or bottom up (this is what it will cost) approach
  - Approximate enrollment – this will impact build or buy decisions
  - Proxy data – become comfortable with making estimates
  - Separate start-up and ongoing costs because their funding mechanisms will be different
  - An appropriate revenue stream, or combination of revenue streams must balance with expense commitments
- Personal services
  - How many people do we need to operate an exchange? Would a vendor be more appropriate?
- Operating Expenses
  - Physical space, computers and office equipment, accounting system, payroll system, etc.
    - Setting up as a public entity will allow use of existing state systems
  - Possible vendors
    - Online application
    - Shopping and enrollment
    - Premium and fee collection
    - Marketing and advertising
    - Call center and hotline
    - System maintenance
    - Consulting and other professional services
  - Revenue
    - How much can be billed to Medicaid – this will be a function of how much Medicaid eligibles utilize exchange
    - Contingency plans if revenues are less than anticipated
    - NAIC (National Association of Insurance Commissioners) information about financing the exchange
      - Exchange fee charged to plans
      - Service fee to consumers
      - Other revenue generating fees
        - Licensing, training and/or certification fees for navigators
        - Fees assessed on each insurance policy purchased in the state whether on or off the exchange
        - Fee for access to the exchange, similar to a membership
    - Advertising
      - Complementary to health care and/or wellness
        - Hospitals, insurers, providers
        - Health and fitness clubs
        - Health/food products
        - Education
        - Fitness merchandise

- Weight loss programs

Deb Fischer-Clemens asked what the \$1 million planning grant was paying for. The \$1 million grant is paying for exchange staff, background research, and stakeholder involvement.

Navigant's role in the planning process

- Provide a feasibility study
- Provide us with information we need if South Dakota applies for a level I or level II establishment grant
- Identify decision points to guide us with those decision timelines
  - Number of staff we will need to operate exchange
    - Call center
    - Vendor
    - Partner with another state
  - Notifications and re-enrollment – part of exchange process
  - Eligibility determination – corridor (federal and state money will be used)
  - Ongoing costs
    - Reporting to federal government
    - Relationships with federal agencies

Discussion regarding funding for an exchange

- Possible transfer of current risk pool funds to the exchange
  - Risk pool assessments to pay claims
  - Exchange pool assessment to run exchange
- Surcharge
  - On those selling in exchange
  - Or on all selling in South Dakota
  - Charge carriers
  - Charge consumer
  - Regulatory fees
- What will the exchange cost?
- Who will benefit?
- Will it generate enough money?
- Two phases
  - Phase I
    - Capital outlay
    - Completion
  - Phase II – ongoing expenses
    - Maintenance
    - Support
    - Personnel
    - Office space
    - Navigator program
    - Eligibility
    - Hearings
    - Call center

Jason Dilges will provide scenarios to Ken Barratte to estimate a ball park figure for the exchange. Mr. Barratte will provide this estimate to the subcommittee at the July meeting.

- Examples of scenarios:
  - Broad based fee (broad distribution)
  - Various contributions (individual mandate = larger pool)

Deb Fischer-Clemens asked when we will know the numbers for the following categories:

- 133% subsidy group
- Medicaid not subsidized
- Uninsured who will pay premium
- Those of risk pool
- Medicaid eligible numbers
  - Current eligible
  - Newly eligible
- Total group coming in and breakdown in each category listed above
- These numbers will be provided in mid-July from the survey results from Market Decisions

Discussion regarding possible situations:

- Some individuals may not purchase insurance and instead just pay the penalty
- Employers may cancel their insurance plans and have their employees obtain insurance through the exchange

The next scheduled meeting is July 19<sup>th</sup>.

The meeting was adjourned at 5:00 PM CT.